

Message Text

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E.O. 11652: N/A

TAGS: BEXP, UR, FR, US

SUBJECT: SECOND FRANCO-SOVIET POLYSTYRENE DEAL

REF: MOSCOW 12662 (NOTAL)

1. IN DISCUSSION WITH COMMATT SEPTEMBER 5, MONSANTO OFFICIAL SAID HIS COMPANY AND LUMMUS HAD BEEN SURPRISED AND DISAPPOINTED AT SOVIET DECISION AWARD SECOND POLYSTYRENE PLANT CONTRACT TO LITWIN/COSDEN. AT TIME SIGNING OF FIRST CONTRACT WITH LITWIN IN DECEMBER 1973, SOVIETS HAD EXPLAINED TO MONSANTO AND LUMMUS THAT POLITICAL CONSIDERATIONS, I.E. NEED TO SIGN MAJOR CONTRACT WITH FRENCH DURING PATOLICHEV'S VISIT, HAD DICTATED DECISION. AFTER SIGNING SECOND CONTRACT WITH LITWIN, SOVIETS (MINISTRY OF CHEMICAL INDUSTRY) EXPLAINED TO MONSANTO THAT IT WAS LOGICAL FOR USSR TO PLACE SECOND ORDER WITH LITWIN SINCE THAT COMPANY WAS DOING FIRST PLANT (TO BE LOCATED IN SHEVCHENKO). MONSANTO OFFICIAL SAID LOSS OF SECOND CONTRACT WAS PARTICULARLY PAINFUL SINCE SOVIETS WERE PAYING CASH FOR SECOND PLANT AND NO BUY-BACK ARRANGEMENTS HAD BEEN REQUIRED. MONSANTO OFFICIAL SPECULATED THAT SECOND CONTRACT MIGHT REPRESENT EXPRESSION OF APPRECIATION BY SOVIETS TO LITWIN FOR AGREEING UNDERTAKE FIRST PLANT UNDER VERY DIFFICULT PHYSICAL CONDITIONS WHICH WILL PREVAIL AT SHEVCHENKO SITE.

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2. MONSANTO OFFICIAL ADVISED THAT HIS COMPANY PLANNED FOLLOW

LEAD OF UNION CARBIDE AND HANDLE FUTURE NEGOTIATIONS WITH
SOVIETS ON BUY-BACK AGREEMENTS ACCOMPANYING COMPLETE PLANT
DEALS DIRECTLY RATHER THAN THROUGH THIRD PARTY. MONSANTO
BELIEVES THAT SUCCESS OF CJB/UNION CARBIDE IN LANDING LATEST
SOVIET POLYETHYLENE PLANT CONTRACT WAS BASED IN PART ON
UC'S WILLINGNESS DEAL DIRECTLY WITH SOVIETS ON
BUY-BACK AGREEMENT.
DUBS

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